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Mr. Chairman, members of the Subcommittee, thank you for the opportunity to meet with you today to discuss our relations with Canada. I especially appreciate this opportunity given that the relationship is so central to both our prosperity and security. It also is a very appropriate time to discuss Canada since just a little over three months ago Prime Minister Harper took office as that nation's 22nd Prime Minister. If you look around the world, you see just how lucky the United States and Canada are to have each other for neighbors. I hope my testimony will illustrate this fact, as well as cover the current situation in that country, our extensive ties and the challenges that lie ahead of us.

When dealing with Canada, the enormity of our relationship is the first thing that comes to mind. A few statistics can quickly illustrate this point. More than \$1.5 billion in goods and services cross the border each day, with yearly American exports across one bridge in Detroit amounting to more than our total exports to Japan. The original U.S.-Canada Free Trade Agreement and NAFTA, its successor, have provided a path for businesses and individuals to knit together a more productive, prosperous and competitive North America. Many of our industries – such as autos – are now intimately tied together in a seamless supply chain. The importance of our shared industrial infrastructure came home to us during the Katrina tragedy when, in at least two cases, firms in Canada diverted production to the U.S. of an intermediate product to make up for an American supplier knocked out by the storm.

As regards energy, Canada is our single largest supplier of imported crude oil and petroleum products, natural gas, electricity and uranium. It is a stable supplier, interested in expanding its market share in the U.S. and driven by private sector investment, including from many U.S. firms. After Saudi Arabia, and counting the increasingly viable oil sands, Canada has the largest proven oil reserves in the world at 175 billion barrels and perhaps twice that in ultimately recoverable reserves.

Our people-to-people ties are no less impressive. Family relationships abound and millions of Americans have at least one Canadian ancestor. There are tens of millions of northern border crossings each year. Some of these are for business, some for pleasure, and some to attend professional sporting events. It is not often commented on, but if one steps back to think about it, when the Toronto Blue Jays play the Boston Red Sox or the Ottawa Senators face off against the New York Rangers, it is truly an extraordinary reflection of our deep and peaceful relationship – at least until the first pitch is thrown or first puck dropped!

Our cooperation and ties internationally, militarily, and in the war against terrorism are also among the best we have with any nation. Earlier this month, we renewed the North American Aerospace Defense Command (NORAD) pact. NORAD is a unique binational body that has been the bedrock of our defense relationship since 1958. Its mission has evolved over the years and the latest iteration of the accord adds a warning function for maritime approaches to North America and also for our coastal and inland waterways. This change, driven by a changed world, clearly displays NORAD's ability to adapt to the times.

Our armed forces also periodically exercise together, enjoy a strong exchange relationship, work side-by-side in NATO, and stand shoulder-to-shoulder for democracy in Afghanistan. I should highlight that Canada has taken command of the Kandahar region of Afghanistan, with 2,300 troops in that country, and has been engaged in fighting there in support of our shared democratic mission. It also has just decided to extend its stay in Afghanistan into 2009. Canada has lost seventeen personnel in that nation since 2002, including the first civilian head of its Provincial Reconstruction Team. We are grateful for Canada's sacrifices in Afghanistan and appreciative of the bravery of the men and women of Canada's armed forces and diplomatic service.

On the broad international front, Canada and the United States usually – though not always – share the same perspective on events. Canada has been active and in the forefront on situations as diverse as the Sudan, relations with the Hamas-led Palestinian Authority, and Belarus. In Iraq, it has pledged over \$200 million for reconstruction, chairs the International Reconstruction Fund Facility for Iraq (IRRFI), led international support to the Iraqi elections, and is providing police training in Jordan. In a similar fashion, Canada has been a valued partner in the Organization of American

States (OAS), played a central role in restoring order to Haiti in 2003 and was critical to efforts to assure fair and free elections there this year.

Canada continues to take strong human rights stances in international fora. Although Ottawa chose to run for membership on the new UN Human Rights Council, and we chose not to run in the Council's first year, we look forward to working cooperatively with it to make the new body as strong and effective as can be. Indeed, we recognize Canada as a positive force in the world and would encourage it to do more and especially in this hemisphere, including on Cuba where we may disagree on tactics, but not on the goal of a democratic Cuba.

Canada has been a strong partner in the global war against terrorism, both internationally and within North America. At home, the Government of Canada has invested billions of dollars since 2001 to enhance border, airport, and maritime security, improve immigrant and refugee screening, and attend to critical infrastructure protection. Our bilateral cooperation has included joint law enforcement efforts and it is worth highlighting the Harper government's commitment to bolster security personnel along its border as part of its general effort to strengthen law enforcement. In addition, the new government listed the LTTE ("Tamil Tigers") under Canada's Criminal Code as a terrorist entity in April and on May 1, it announced the formal convening of a judicial inquiry into the 1985 Air India case which will include a thorough review of Canada's terrorist legislation and policies.

Before leaving this broad overview of our ties and turning to some specific concerns and observations on the new government, I want to take this opportunity to again thank Canada and its people for their outpouring of support last summer during our horrific hurricane season. The aid was truly impressive and spanned the gamut from search and rescue teams, three Canadian forces ships and one Coast Guard vessel, blankets, medical supplies and cash donations. Private Canadians even went so far as to sponsor fund raising drives and pilot trucks to deliver goods to our south, and Canadian universities offered places to displaced students.

Now, what of the new government? As you know, Prime Minister Stephen Harper took office on February 6, leading the first Conservative government in more than a decade. In the January 23 election, he defeated outgoing Prime Minister Paul Martin's Liberal party, winning a plurality of seats in Parliament. The Conservatives are well short of a majority in Parliament,

where four parties are represented. The situation in Parliament, and Canadian history, suggests that within the next two years, we may see another vote.

Since taking office, Prime Minister Harper has made clear that he wants strong relations with the United States while, at the same time, underscoring that he intends to defend Canadian interests. His basic message – if I can be allowed to characterize a complex situation in simple terms – is that the U.S. and Canada share so much that we should be partners bilaterally and in the world where possible, but where we disagree, we should do so maturely, with a civil tone and remembering our underlying friendship.

So far, so good, as we say in the diplomatic business. The Prime Minister's first 100-plus days have seen a strengthening of our already strong ties and a positive and pragmatic tone emanating from his government. The President and Secretary Rice share Mr. Harper's desire to strengthen our partnership with Canada and we are more than ready to continue working with the new Canadian government. Our two leaders have spoken several times and met in Cancun during the March 30-31 trilateral Security and Prosperity Partnership (SPP) of North America meeting. We look forward to a visit by the Prime Minister to Washington.

Among the most notable accomplishments of the past several months in U.S.-Canadian relations has been the framework agreement on softwood lumber. This contentious issue, which some even (incorrectly) claimed threatened NAFTA, was settled after the two leaders gave instructions to their negotiators to accelerate the effort to resolve this trade dispute. I'm pleased that Canada and the U.S. were able to settle this matter, with the support of industry, and I applaud the ingenuity of the negotiators on both sides. They are now working to put the framework agreement into final terms. It does not in any way detract from the skill and efforts of the negotiators when I say that the ultimate credit belongs to President Bush and Prime Minister Harper for making clear that they wanted this issue resolved.

We still, however, have several bilateral issues that remain on the table. These include other trade matters such as the need for Canada to strengthen its Intellectual Property Rights (IPR) protections through passage of strict copyright law and improved enforcement against piracy at the border, and environmental issues like Devils Lake and crossborder pollution concerns. The largest looming bilateral concern for Canada involves the Western

Hemisphere Travel Initiative (WHTI), the Congressionally-mandated requirement that every person entering the United States have a passport or other secure form of travel identification documentation.

Canadians are concerned that this requirement – which will take effect at the beginning of 2007 for air and sea travelers and a year later at our land borders – will damage trade, tourism and contacts between people on both sides of our border. We have responded that our plan is to institute the WHTI in a manner that both bolsters security and improves the flow of goods and persons and we are holding frequent and extensive discussions with Canada on how best to implement the initiative. There are serious challenges in meeting our goal, but it is one that we and others in the Administration are committed to achieving. The Rice-Chertoff Initiative announced in January is helping guide our actions in this respect.

The tie between security and prosperity that I just referred to when discussing the WHTI is, for us, a clear one. It stands behind one of the key innovations in our policy framework with Canada and our other North American partner, Mexico. This nascent policy architecture, to which I alluded briefly in discussing the Cancun meeting between the President and Prime Minister Harper, is the Security and Prosperity Partnership for North America (SPP). The SPP is explicit recognition that security and prosperity are not conflicting goals that must be balanced against each other. They are, instead, fundamentally bound together as part of making North America the most productive, competitive region of the globe.

The SPP provides a framework for us to advance collaboration in areas as diverse as security, transportation, the environment and public health. Where we can, we cooperate trilaterally, but where it makes more sense to act bilaterally, we do so. The SPP celebrated its first anniversary at the Cancun meeting, with the leaders agreeing on initiatives to strengthen competitiveness in North America, cooperate on managing the threat of avian and pandemic influenza, collaborate on energy security, develop a common approach to natural and manmade disasters, and work toward smart and secure borders.

I'd like to close by observing that while the complexity and depth of our relations with Canada may be matched by those with some other countries, the ties are doubtless not exceeded. This makes for an especially rich relationship, usually of partners, but occasionally of friends who disagree. It

is my pleasure to have had the opportunity to discuss this unique relationship with you.

Thank you.